

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7858

BILL NUMBER: HB 1005

NOTE PREPARED: Feb 17, 2003

BILL AMENDED:

SUBJECT: Funding for rural development programs.

FIRST AUTHOR: Rep. Lytle

BILL STATUS: CR Adopted - 1st House

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues			
State Expenditures		3,200,000	3,200,000
Net Increase (Decrease)		(3,200,000)	(3,200,000)

Summary of Legislation: This bill establishes the Rural Development Administration Fund and the Indiana Rural Development Council Fund. It provides for annual distributions during each of the next 10 state fiscal years from tobacco securitization proceeds to the Rural Development Administration Fund, the Rural Development Council Fund, and the Value Added Research Fund. The bill annually appropriates the money distributed to the funds.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill creates the Rural Development Administration Advisory Board to make recommendation the Indiana Rural Development Council concerning the expenditure of money from the Rural Development Administration Fund. The board consists of 16 members. Non-voting members include the Executive Director of the Indiana Rural Development Council, 2 members of the Senate appointed by the President Pro Tempore of the Senate, and 2 members of the House of Representatives appointed by the Speaker of the House of Representatives. The Board includes 11 voting members appointed by the Governor: a representative of the Commissioner of Agriculture, a representative of the Department

of Workforce Development, 2 person with knowledge and experience in state regional economic needs, a representative of a local rural economic development organization, a representative of a rural development council, a representative of rural education, a representative of the league of regional conservation and development districts, and a person enrolled in rural secondary education.

The bill appropriates \$4.2 M annually for FY 2004 through FY 2013 from securitized payments under the Tobacco Master Settlement Agreement. The Rural Development Administrative Fund and the Rural Development Council Fund are created to receive these payments. The funds shall be administered by the Indiana Rural Development Council. Money in the funds at the end of a fiscal year does not revert to the General Fund. If the Authority has insufficient money to make the total amount of transfers required by law for any fiscal year, the Authority will make transfers for that fiscal year as directed by the State Budget Agency after review by the Budget Committee.

The following table outlines the specific purposes of the appropriations.

	FY 2004	FY 2005
Value Added Research Fund	\$600,000	\$600,000
Rural Development Administration Fund	\$2,400,000	\$2,400,000
Rural Development Council Fund	\$1,200,000	\$1,200,000
Total	\$4,200,000	\$4,200,000

Explanation of State Revenues: The bill refers to an "authority" established to securitize payments received under the Tobacco Master Settlement Agreement that the state entered into on November 23, 1998. The settlement between the tobacco industry and the states included a stream of payments that continue indefinitely. Payments to states are subject to adjustments based on inflation and the sales volume of cigarettes in the United States. The payments are also contingent upon the solvency of the tobacco companies that are parties to the settlement agreement. The term securitization refers to the sale of the anticipated income stream on the capital market, at a discount, for a lump sum payment. The bill does not address the specific details of a securitization of the state's Tobacco Master Settlement Agreement Funds.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development, Indiana Rural Development Council, Department of Commerce, Commission of Agriculture.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825